



8 May 2018

Verification Report for Pre-Issuance Certification of the Green Bond by Volkswagen Immobilien

Scope

Volkswagen Immobilien (VWI) commissioned oekom research¹ to compile a Verification Report for Pre-Issuance Certification of its Green Bond by the Climate Bond Initiative (CBI). The Climate Bond Certification process includes verifying whether the provisions of the Climate Bond Standard issued by the CBI are met and obtaining evidence to support the verification.

Criteria

Relevant CBI Standards for this Climate Bond Certification:

- Climate Bond Standard (Climate Bond Standard Version 2.1; status 01/2017)
- Low Carbon Buildings

Volkswagen Immobilien's Responsibility

Volkswagen Immobilien's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Internal processes & controls
- (Proposed) reporting

¹ On March 15, 2018, oekom research joined Institutional Shareholder Services Inc. ("ISS"). oekom research will be renamed ISS-oekom.

Independence and Quality Control

oekom research is managerially and economically independent. Its independence is guaranteed through rigorous codes of conduct for every analyst and the fact that neither consulting services nor asset management services are offered. oekom research can thus guarantee a high degree of credibility and objectivity for its research findings.

Regular audits by an independent institution against the European voluntary quality standard for responsible investment ARISTA® attest oekom's extensive quality standards which are complemented by a comprehensive quality management system.

oekom's Responsibility as a Verifier

oekom research reviewed the information and documentation provided and developed by Volkswagen Immobilien to assess the Green Bond Programme's alignment with the CBI requirements:

- Conformance with the selection of nominated projects & assets requirements
- Conformance with the internal processes & controls requirements
- Conformance with the reporting requirements

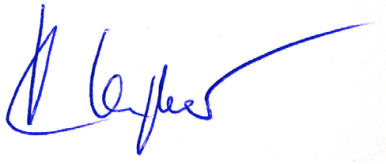
oekom research's approach to assess whether the issuer meets the criteria of the CBI standard was as follows. The issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes regarding the proceeds (e.g. use of proceeds, management of proceeds) to oekom research. Further, the issuer needed to fill in a questionnaire that covers all criteria of the Climate Bond Standard 2.1. Additionally, the issuer had to provide background documents that elaborate further on the information mentioned in the questionnaire. With the help of this questionnaire and the background documents, oekom research carried out a desk-based assessment of the CBI criteria. In case any answers were unclear, oekom research contacted the issuer for more details and clarification.

Restriction on Distribution and Use of Report

This Verification Report for Climate Bond Certification including all documentation provided alongside is intended for the use of Volkswagen Immobilien and the Climate Bond Standard Board. The present document may be published by Volkswagen Immobilien, CBI and oekom research. CBI and oekom research agree to publish the report with the consent of Volkswagen Immobilien.

Opinion

Based on the limited assurance procedures conducted on Volkswagen Immobilien's Green Bond Programme, apart from Requirement 3.1.3. described in the Details Finding section of our report, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2018 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



Robert Haßler, CEO
oekom research AG
Munich, 8 May 2018

Disclaimer

1. oekom research AG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
2. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of oekom research AG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decisionmaking. oekom research's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria. We verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annex

- Annex 1: Detailed Findings

Annex 1: Detailed Findings

1. Selection of nominated projects & assets

	Requirement	Factual Findings	Analysis against Requirements
1.1.	Decision-making process to determine eligibility of nominated projects & assets	Volkswagen Immobilien has defined the financing of low-carbon buildings as its environmental objective, and has implemented processes to determine the eligibility of nominated assets through an external consultant.	✓
1.2.	Assessment of proposed nominated projects & assets	Eligible assets are residential buildings conform with the relevant eligibility requirements under part B of the Climate Bonds Standards, thus having received a rating of "B" or higher in the German energy efficiency class ranking. Office and logistic buildings have been removed from the issuer's portfolio for this certification.	✓
1.3.	Documentation of eligibility of nominated projects & assets	Volkswagen Immobilien has set up a process of evaluation and selection. Projects financed and/or refinanced through the future Green Bond proceeds are evaluated and selected based on compliance with the eligibility criteria set forth in the Use of Proceeds by VWI's Green Bond Committee.	✓
1.4.	No double nomination of projects & assets	As this is Volkswagen Immobilien's first bond to be certified under the Climate Bond Certification Scheme, nominated assets can currently not be nominated twice.	✓

	Requirement	Factual Findings	Analysis against Requirements
1.5.	Net proceeds in relation to issuer's debt obligation	Volkswagen Immobilien has identified an eligible portfolio and will continuously expand the asset pool with new eligible assets to ensure that Volkswagen Immobilien level of allocation matches the total balance of net proceeds from its outstanding Green Bonds.	✓

2. Internal Processes & Controls

	Requirement	Factual Findings	Analysis against Requirements
2.1.1.	Tracking of proceeds	The net proceeds of the bond are moved to a Green Bond portfolio and are tracked in the organisation.	✓
2.1.2.	Managing unallocated proceeds	Whilst any Green Bond net proceeds remain unallocated, Volkswagen Immobilien will hold the balance of net proceeds not yet allocated to eligible projects in its liquidity portfolio of money market instruments at its own discretion.	✓
2.1.3.	Earmarking funds to nominated projects & assets	VWI has established an earmarking process to manage and account for funding to the nominated assets.	✓

3. Reporting Prior to Issuance

	Requirement	Factual Findings	Analysis against Requirements
3.1.1.	Disclosure on investment areas	VWI will disclose in its issuance documentation that proceeds will be used to finance/refinance eligible assets based on VWI green bond framework.	✓
3.1.2.	Disclosure on intended types of temporary investment instruments	VWI intends to disclose that unallocated proceeds will mainly be used for developments and future investments that are eligible according to the green bond framework. Assets currently under construction will need the funding for completion.	✓
3.1.3.	Disclosure regarding pre-issuance verification	VWI intends to make the Pre-Issuance Certification public on its website. The publishing of the full report is at VWI's discretion.	✓
3.1.4.	Disclosure on periodic assurance engagements	Volkswagen Immobilien will report to the Lender once a year in the sustainability report on the allocation of the Loan to the various categories of Suitable Green Projects and on the status of any remaining available funds. This obligation ends as soon as the Loan has been used in full on Suitable Green Projects; thereafter Volkswagen Immobilien shall be obliged to issue such a sustainability report only in the event of material changes.	✓